

27 November 2014

Pamela Caird
Senior Advisor
Gas Industry Company
PO Box 10-464
Wellington 6143

Dear Pam

Draft Decision Paper - Framework for Gas Retailer Insolvency Arrangements

Mighty River Power welcomes the opportunity to provide this submission on the Gas Industry Company's Draft Decision Paper on the Framework for Gas Retailer Insolvency Arrangements of 15 October 2014. No part of the submission is confidential and Mighty River Power is happy for it to be publicly released.

We would like to take this opportunity to commend the Gas Industry Company for taking a practical and pragmatic approach to these matters given that a retailer insolvency event is a very rare event. In particular the Gas Industry Company's approach to the provision of customer information is much more sensible than proposed by the Electricity Authority who require the provision this information monthly.

Our responses to the questions raised by the GIC in the Statement of Proposal are attached in Appendix below.

If you would like to discuss any of our above comments directly with Mighty River Power, then please do not hesitate to contact me on 06 348 7926 or jim.raybould@mightyriver.co.nz.

Yours sincerely



Jim Raybould
Gas Manager

1 Appendix A: Submissions Template

Submission prepared by: Jim Raybould for Mighty River Power

QUESTION	COMMENT
Q1 Do you have any comments on the high-level process described in this section?	We generally agree with the high level process proposed by the GIC. We do however have concerns with regards to the process dealing with vacant ICPs and the potential for a retailer to incur costs for ICPs which they may never receive any income from.
Q2 Do you have any comment regarding the insolvency trigger?	No the insolvency trigger is logical and reasonable.
Q3 Should the obligation to report a retailer insolvency be placed on retailers only, to report their own insolvencies, or should gas producers, gas wholesalers, and the allocation agent also have reporting responsibilities (as proposed above)?	We agree with the requirement for the retailer to advise the GIC if it becomes insolvent. We also agree that a requirement for a gas producer or gas wholesaler to advise the GIC of a retailer's financial default provides a potential indication of a retailer becoming insolvent and we support these proposals. We are less sure about the proposed change to the Rules for the Allocation Agent should a retailer breach rules 31-33 of the Gas (Downstream Reconciliation) Rules as not all of these rule breaches may be related to a potential insolvency event.
Q4 Do you agree that these changes to the Switching Rules would be minor and would not adversely affect the interest of any person in a substantial way?	Yes
Q5 Do you agree that the Switching Rules be amended to include the ability for Gas Industry Co to require information from an insolvent retailer?	Yes

QUESTION	COMMENT
<p>Q6 Do you agree with the proposed content of the report(s)? Are there items that should be added or deleted, and why?</p>	<p>Yes</p>
<p>Q7 Do you agree that these changes are minor and would not adversely affect the interest of any person in a substantial way?</p>	<p>Yes</p>
<p>Q8 Further, it is likely that the cost of monitoring would be offset by the savings gained from finding any instances of gas consumption at the monitored ICPs, which can then be prevented through disconnection or used to identify potential new customers. In other words, without the proposed change, any UFG caused by vacant and inactive ICPs of the insolvent retailer will be allocated to remaining retailers at the affected gas gate in proportion to their customer load. With the proposed change, gas consumption at those ICPs will be identified and prevented, providing a benefit to all retailers at the gate at the expense of minor monitoring costs. Accordingly, Gas Industry Co concludes that this changes does not adversely affect retailers in a substantial way. Do you agree with the proposed amendments to the Switching Rules?</p>	<p>Yes however we are also of the opinion that these ICP should have their status on the registry changed to Transitional Vacant to stop the application of fixed network and metering charges. We believe that retailers will be happy to accept the obligation to monitor consumption at these ICPs but we do not consider it equitable that all of the costs associated with these ICPs should fall to the retailers. We do not believe that a by-product of any Insolvency Regulations should be the protection of the income of network and meter operators from non-contracted ICPs.</p> <p>With regards to the indeterminate ICPs whilst we agree with the proposals for dealing with these types of ICPs we do not believe that the GIC has the processes and procedures in place to effectively monitor vacant ICPs on a regular basis. It is our view that the most practical way for GIC to monitor these ICPs would be to engage or delegate the responsibility for monitoring these ICPs to a retailer who has the appropriate monitoring processes in place. The GIC would however retain overall responsibility for these ICPs. We suggest that it would be beneficial to clarify these proposed monitoring arrangements in the Rules.</p>

QUESTION	COMMENT
<p>Q9 Do you agree that the proposed change is minor and does not adversely affect the interests of any person in a substantial way? If not, please describe the substantial adverse effect.</p>	<p>Yes</p>
<p>Q10 Do you agree with the proposed trigger?</p>	<p>Yes</p>
<p>Q11 Do you agree with the proposed approach of transferring orphan consumers on an ICP-by-ICP basis? If not, what alternative would you suggest that takes into account the need to transfer customers quickly and the limited resources at Gas Industry Co's disposal?</p>	<p>Yes</p>
<p>Q12 Should a de minimus threshold (of eg 5% or 10%) apply to recipient retailers? If yes, do you agree with the proposed separate approaches to allocation group 1-3 and allocation group 4-6 customers?</p>	<p>MRP believes that the de minimus threshold should remain at 10% and agrees with the proposed separate allocation of allocation groups 1-3 and 4-6.</p>
<p>Q13 If not, do you prefer the option where all retailers are included, but those with less than 5% market share (by customers and volume)) can opt out?</p>	<p>No see above response to Question 12</p>
<p>Q14 Do you have any views on the proposed ICP allocation methodology?</p>	<p>We agree with the proposal that the allocation methodology should be customised to each individual insolvency event.</p>

QUESTION	COMMENT
Q15 Do you agree with this approach? Why or why not?	Yes
Q16 Do you agree that this is a reasonable approach to the transfer of large consumers? If not, what alternative would you suggest?	Yes however there are a number of potential issues around this solution such as the need by the retailer to purchase capacity to supply the customer even for a short period. This may mean that the customer may have to stay with their new retailer until the end of the then current gas contract year on 30 September. The only alternative we can suggest is that the retailer design a pricing arrangement for the customer taking into account the cost of capacity reservation overruns until such times as the customer agrees a new contract with a retailer.
Q17 Do you have any comments on clauses 8-11 of the proposed Drafting Instructions?	No
Q18 Do you have any comments on clause 12 in the proposed drafting instructions?	No
Q19 Do you agree with the proposal in clause 13 of the proposed drafting instructions?	Yes
Q20 Do you agree with this proposal? Why or why not?	Yes because if the insolvent retailer does not provide this information then it affects the accuracy of the UFG calculation, the accuracy has a direct impact on the accuracy of the allocation process.
Q21 Do you agree that the change is minor and will not adversely affect the interest of any person in a substantial way?	Yes